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**ANNUAL
REPORT**

1966

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SILVERFIELDS
MINING CORPORATION LIMITED

NOV 29 1967

SILVERFIELDS

MINING CORPORATION LIMITED

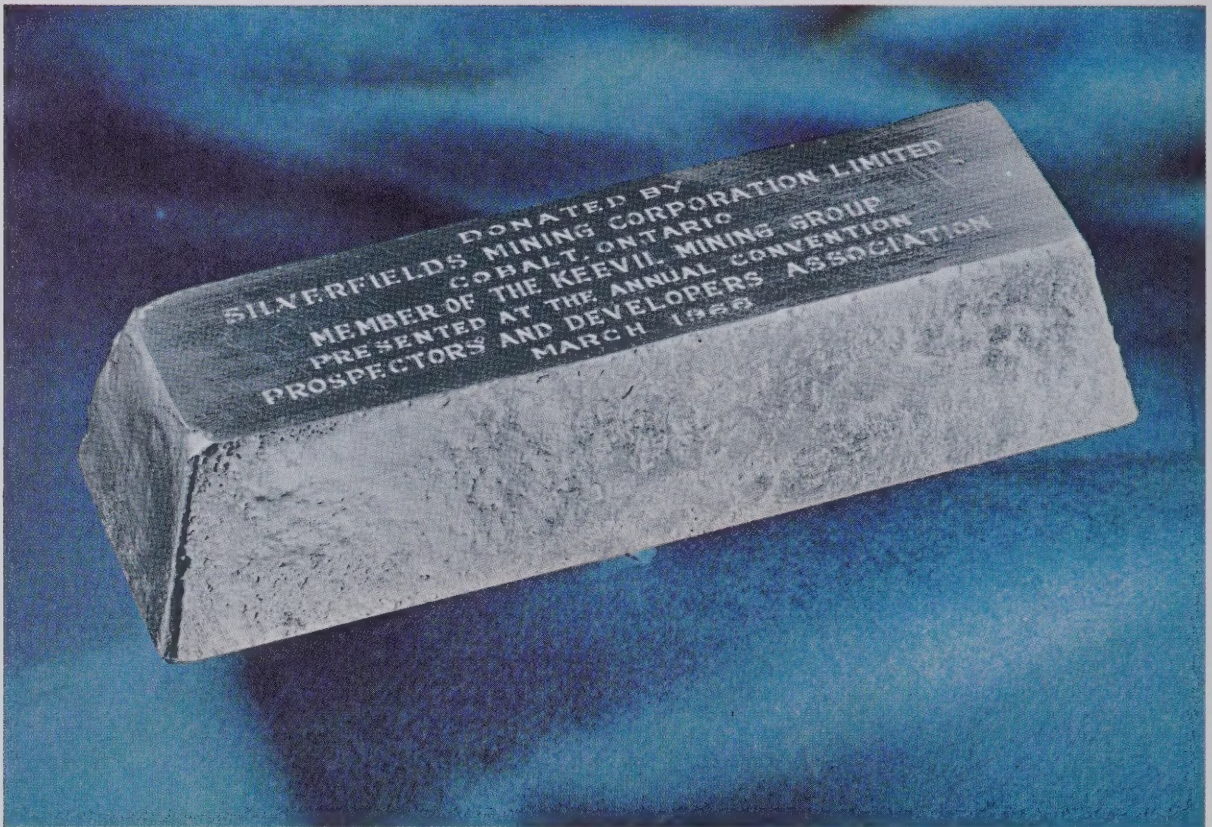
ANNUAL REPORT

For the year ended August 31, 1966

ANNUAL REPORT

for the period ended August 31

1966



SILVERFIELDS MINING CORPORATION LIMITED

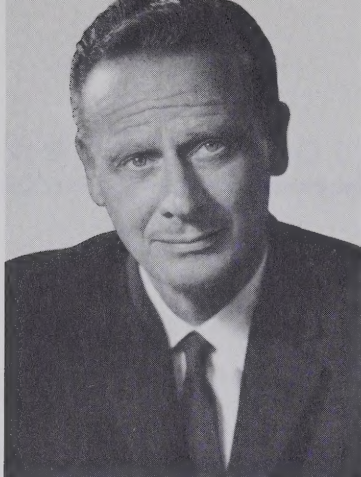
SILVERFIELDS MINING CORPORATION LIMITED

HIGHLIGHTS — 1966

- Silver production 1,423,971 ounces worth \$1,920,334
- Mine operating profit \$832,064
- Net income \$733,795 or 48.9¢ per share
- Working capital up \$410,612 at \$1,002,485
- Initial dividend 15¢ per share paid August 31, 1966
- Company's own mill in operation December 1965
- Operating costs reduced \$5.29 to \$12.44 per ton

ANNUAL MEETING

December 12, 1966, 11:30 A.M.
11th Floor, Board of Trade Building
11 Adelaide Street West, Toronto, Canada



PRESIDENT'S LETTER

TO THE SHAREHOLDERS:

We are pleased to submit for your approval the third annual report of your company for the fiscal year ended August 31, 1966, which includes a report on operations, financial statements and auditors' report.

During the year the company's own milling plant was placed in operation, which allowed the treatment of a lower average grade of ore, thus increasing the net profit and prolonging the ultimate life of the mine. Exploration and development work during the year maintained ore reserves. With a good rate of earnings established, and a strong working capital position built up, an initial dividend of 15¢ per share was paid to shareholders August 31, 1966.

Shipments of ore to a custom mill continued until December 1965, at which time operations were switched to the company's own plant. Following the initial tune-up period production was increased to the current rate of 230 tons daily. For the 12-month period ended August 31, 1966 a total of 65,084 tons were milled (11,750 tons on a custom basis and 53,334 tons through our own plant) with 1,423,971 ounces of silver being produced and a gross metal value of \$1,920,334. After royalty payments of \$183,913 and smelting, refining, marketing and freight charges of \$100,997, net proceeds were \$1,635,424, somewhat higher than the net of \$1,420,183 for the previous fiscal year. Operating income for the 1966 fiscal year after deducting regular expenses was \$832,064, and net income was \$733,795, equivalent to 48.9¢ per share. Comparable figures for 1965 are: operating income \$763,682, and net income of \$689,492 equivalent to 45.9¢ per share. As a new mine, Silverfields is exempt from corporate income taxes until into the 1967 year.

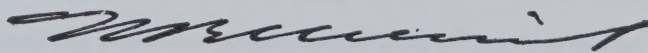
The company's strong working capital position was further improved during the year. After providing for expanded operations, capital expenditures of \$120,977 and a dividend to shareholders of \$225,001 working capital was increased by \$410,612 to \$1,002,485.

As a result of the economies effected by treating a higher tonnage of ore through the facilities of our own milling plant, Silverfields is now able to mine a lower average grade of ore, while still increasing net operating earnings. This means that the ultimate life, recoverable ore reserves, and operating earnings will be substantially increased. In the 1966 fiscal year the average grade of ore treated was 22.29 ounces per ton, with costs of \$12.44 per ton. In 1965, with lower tonnage and custom milling, ore grade treated averaged 33.96 ounces per ton and costs were \$17.73 per ton. Further improvement in costs can be anticipated for the 1967 fiscal year, for in the last quarter of 1966, when operations were fully established with our own mill, costs were reduced to \$10.70 per ton.

Development and exploration work in the main mine area extended the major ore zones and maintained indicated ore reserves at the level of previous years. Broken ore reserves were doubled at 29,400 tons.

Prospects for the 1967 year appear most favourable, and it is anticipated that the lower costs and economies established by our own plant operation will result in a further improvement in earnings for the new year. The combination of a shortage of supply and production of silver, together with increased world demand for silver, continues and many metal experts believe a rise in the price for silver can be anticipated in the near future.

On behalf of the Board,



N. B. KEEVIL

President

November 22, 1966

SILVERFIELDS MINING

Balance Sheet as at August 31, 1966

ASSETS		1966	1965
CURRENT ASSETS			
Cash		\$ 158,461	\$ 113,515
Short-term deposits		250,000	150,000
Bullion settlements — at estimated net realizable value		681,158	459,558
Accounts receivable		43,806	4,840
Prepaid expenses and deposits		7,027	2,872
Stores and materials — at cost		36,415	11,841
		<u>1,176,867</u>	<u>742,626</u>
FEDERAL SPECIAL 5% REFUNDABLE TAX		9,292	—
INVESTMENTS IN SHARES AND ADVANCES TO ASSOCIATED COMPANIES — at cost		<u>16,555</u>	<u>15,105</u>
FIXED ASSETS			
Buildings, machinery and equipment, on leasehold land — at cost		426,962	305,985
Accumulated depreciation		103,797	39,752
		<u>323,165</u>	<u>266,233</u>
Mining claims and leases — at nominal value		1	240,000
		<u>323,166</u>	<u>506,233</u>
DEFERRED EXPENDITURE			
Joint mining ventures — at cost (Note 1)		51,726	25,000
Exploration and development — at cost, less amortization		8,420	4,638
		<u>60,146</u>	<u>29,638</u>
		<u>\$1,586,026</u>	<u>\$1,293,602</u>

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the balance sheet of Silverfields Mining Corporation Limited as at August 31, 1966 and the statements of earnings, retained earnings and source and use of funds for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheet and statements of earnings, retained earnings and source and use of funds, when read in conjunction with the notes thereto, present fairly the financial position of the company as at August 31, 1966 and the results of its operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent (except for the write-down of mining claims and leases to nominal value, with which change we concur) with that of the preceding year.

November 21, 1966,
Toronto, Ontario.

McDONALD, CURRIE & CO.,
Chartered Accountants.

CORPORATION LIMITED

August 31, 1966

LIABILITIES

CURRENT LIABILITIES	1966	1965
Accounts payable and accrued liabilities	\$ 58,044	\$ 50,773
Accrued production royalties	68,160	51,919
Taxes payable	48,178	48,061
	<u>174,382</u>	<u>150,753</u>

SHAREHOLDERS' EQUITY

CAPITAL STOCK

AUTHORIZED —

3,000,000 shares with a par value of \$1 each

ISSUED AND FULLY PAID —

1,500,005 shares	1,500,005	1,500,005
Discount thereon	1,065,000	1,065,000
	<u>435,005</u>	<u>435,005</u>
RETAINED EARNINGS	976,639	707,844
	<u>1,411,644</u>	<u>1,142,849</u>

Signed on behalf of the Board:

N. B. KEEVIL, Director.

STEPHEN KAY, Director.

<u>\$1,586,026</u>	<u>\$1,293,602</u>
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NOTES TO FINANCIAL STATEMENTS

For the Year Ended August 31, 1966

1. The amount shown for joint mining ventures represents costs to date and is not intended to reflect present or future value.
2. No provision has been made for corporation income taxes as the company continues in a three-year exempt period under Section 83 (5) of the Income Tax Act.

SILVERFIELDS MINING CORPORATION LIMITED

Statement of Retained Earnings

For the year ended August 31, 1966

	1966	1965
BALANCE — Beginning of year	\$ 707,844	\$ 18,352
Add: Net earnings for year	733,795	689,492
	<u>1,441,639</u>	<u>707,844</u>
<i>Deduct</i>		
Amount written off mining claims and leases	239,999	—
Dividends paid	225,001	—
	<u>465,000</u>	<u>—</u>
BALANCE — End of year	<u>\$ 976,639</u>	<u>\$ 707,844</u>

Statement of Source and Use of Funds

For the year ended August 31, 1966

SOURCE OF FUNDS

Net earnings for the year	\$ 733,795
Add: Charges not requiring cash outlay —	
Depreciation	\$ 64,045
Amortization	1,489
	<u>65,534</u>
	<u>799,329</u>

USE OF FUNDS

Investments and advances	1,450
Additions to buildings, machinery and equipment	120,977
Deferred expenditures	31,997
Federal special 5% refundable tax	9,292
Dividends paid	225,001
	<u>388,717</u>
INCREASE IN WORKING CAPITAL	<u>410,612</u>
WORKING CAPITAL — BEGINNING OF YEAR	591,873
Increase in working capital	410,612
WORKING CAPITAL — END OF YEAR	<u>\$1,002,485</u>

SILVERFIELDS MINING CORPORATION LIMITED

Statement of Earnings For the year ended August 31, 1966

	<u>1966</u>	<u>1965</u>
INCOME		
Bullion production	\$1,920,334	\$1,658,644
<i>Less:</i> Smelter, refinery, freight and marketing expenses	100,997	76,519
Royalties	183,913	161,942
	<u>284,910</u>	<u>238,461</u>
	<u>1,635,424</u>	<u>1,420,183</u>
OPERATING EXPENSES		
Mining	268,412	223,154
Milling	159,560	163,816
Exploration and development	239,114	157,676
General mine and administrative expenses	103,420	74,563
Head office and corporate expenses	32,054	37,292
Directors' fees	800	—
	<u>803,360</u>	<u>656,501</u>
MINE OPERATING PROFIT	832,064	763,682
OTHER INCOME		
Interest income	17,355	3,986
OPERATING PROFIT FOR THE YEAR BEFORE THE FOLLOWING CHARGES:	849,419	767,668
Ontario mining tax	49,551	47,842
Amortization	1,489	—
Outside exploration	539	7,393
Provision for depreciation	64,045	22,941
	<u>115,624</u>	<u>78,176</u>
NET EARNINGS FOR THE YEAR (Note 2)	<u>\$ 733,795</u>	<u>\$ 689,492</u>

SILVERFIELDS MINING CORPORATION LIMITED

REPORT ON OPERATIONS

PRODUCTION

Custom milling was continued until December 1965, with 11,750 tons being treated. For the remainder of the fiscal year, ore was milled in the company mill which treated 53,334 tons during the period.

Following tuneup of the circuit, the mill has operated satisfactorily and capacity is now rated at 230 tons per day.

	1966	1965
Ore milled (dry tons)	65,084	37,041
Silver recovered (ounces)	1,423,971	1,232,367
Tailings (ounces per ton)	0.41	0.69
Calculated heads (ounces per ton)	22.29	33.96
Recovery (percent)	98.10	97.97

In addition to the silver, 63,609 pounds of cobalt and 80,098 pounds of copper were produced.

Lower costs due primarily to higher tonnage milled and operation of our own mill have permitted lower grade material to be mined at a profit. This policy is reflected in the reduced grade of ore milled during 1966 as compared to the previous year.

OPERATING COSTS

The following is a comparative analysis of operating costs per ton milled.

	1966	1965
Mining	\$ 4.13	\$ 6.03
Milling	2.45	4.42
Exploration and development	3.67	4.26
Mine general and administrative expense	1.59	2.01
Head office and corporate expense	0.60	1.01
Cost per ton milled	<u>\$ 12.44</u>	<u>\$ 17.73</u>

DEVELOPMENT

On the third level, drifting opened up the No. 4 and No. 4A zones as well as the Nos. 9, 11 and 13 zones. Lateral and raise development on the fourth level explored the Nos. 11 and 15 zones as well as extending the stope boundaries on strike.

On the fifth level, all lateral development was designed to open up the known vein systems, particularly the Nos. 7, 8 and 11 zones.

Summary

	1966	1965
Drifting and crosscutting (feet)	5,891	3,502
Raising (feet)	96	262
Diamond drilling (feet)	26,423	28,281

EXPLORATION

Diamond drilling in the mine area was largely confined to exploring the vertical extent of the main vein. Detailed drilling to the north and south of the No. 2 vein over a 600-foot strike length indicates the upward extension of the vein system through the quartzite horizon. This extension ranges 70 to 90 feet above the third level. Ore values are erratic, although the structure is generally strong with distinct contacts in the walls.

Drilling below the fifth level on known veins indicates vein penetration in the range of 100 feet. Ore values extend about 35-50 feet below the fifth level on at least three veins (Nos. 1, 4 and 8).

A drilling programme was carried out in the southeast section of the property by drilling from the underground workings of the Hiho property. Several ore sections were encountered at and below the third level horizon. These will be explored later by crosscutting from the present Silverfields workings.

ORE RESERVES

After the milling of 65,084 tons during 1966, indicated ore reserves were still maintained at the level of previous years. In addition, broken ore reserves now total 29,400 tons.

CAPITAL EXPENDITURES

During the year expenditures totalled \$120,977, of which \$55,866 was expended on the mill building. The remainder was spent on a coarse ore bin at the shaft, an assay office and miscellaneous equipment for underground and surface.

SILVER SUMMIT JOINT PROGRAMME

Under a joint programme with the adjoining Silver Summit mines, the Summit workings were dewatered and exploratory diamond drilling carried out from underground. This work, together with underground drilling from Silverfields third level into Summit property, has indicated the extension of several Silverfields veins west of the boundary. Mining of these will be delayed until Silverfields stopes reach the boundary.

GENERAL

The purchase and operation of our own mill has cut the cost of this part of the operation by about \$2.30 per ton milled. This saving, coupled with an anticipated larger tonnage milled, should continue to effect further economies in the next fiscal year.

Construction of the assay office will also enable considerable savings and increases in efficiency to be made.

At August 31, the total mine strength was 85.

In conclusion, I wish to thank the directors and officers of the company for their help and guidance throughout the year, and to express my sincere appreciation to the members of the staff for their efficiency and loyalty.

Respectfully submitted,

W. C. SUMMERS

Mine Manager

SILVERFIELDS MINING CORPORATION LIMITED

directors

SIR MICHAEL BUTLER, Bt., Toronto, Ontario
J. H. HIRSHHORN, New York, New York
N. B. KEEVIL, Port Credit, Ontario
STEPHEN KAY, Toronto, Ontario
D. A. PERIGOE, Toronto, Ontario

officers

N. B. KEEVIL, President
STEPHEN KAY, Vice-President
SIR MICHAEL BUTLER, Bt., Secretary
J. H. WESTELL, Treasurer
J. B. ANDERSON, General Manager
D. S. BROWN, Assistant Secretary

mine manager

W. C. SUMMERS

head office

Suite 1000, 11 Adelaide Street West
Toronto, Ontario

mine office

Cobalt, Ontario

*transfer agent
and registrar*

EASTERN & CHARTERED TRUST COMPANY
Toronto, Ontario

auditors

MCDONALD, CURRIE & Co.
Toronto, Ontario



Silverfields Milling Plant.

